



# FY2017 ANNUAL RESULTS AND INVESTOR DAY PRESENTATION – ANNEXURES

Year ended 31 March 2017



# Cautionary Statement and Disclaimer

---

The views expressed here may contain information derived from publicly available sources that have not been independently verified.

The results discussed in this presentation are presented in terms of International Financial Reporting Standards (IFRS), with the exception of the normalised income statement.

No representation or warranty is made as to the accuracy, completeness, reasonableness or reliability of this information. Any forward looking information in this presentation including, without limitation, any tables, charts and/or graphs, has been prepared on the basis of a number of assumptions which may prove to be incorrect. This presentation should not be relied upon as a recommendation or forecast by Alexander Forbes Group Holdings and/or any of its subsidiaries. Past performance of Alexander Forbes Group Holdings and any of its subsidiaries cannot be relied upon as a guide to future performance. We have made certain assumptions for market growth rates for the each of the respective divisions as follows: (i) Institutional: market growth rate accounts for all business segments and takes into account expected margin compression, shift towards umbrella funds, scheme pricing trends and historical rates; (ii) Retail: market growth rate accounts for all business segments and takes into account expected retail AuM appreciation and revenue margin compression; (iii) Emerging Markets: market growth rate is based on weighted expected pension fund growth across Nigeria, Namibia and Botswana; and (iv) AF Investments: market growth rate based on appreciation of balanced equity, bond and liquid asset portfolio, accounting for expected net outflows.

This presentation contains 'forward-looking statements' – that is, statements related to future, not past, events. In this context, forward-looking statements often address our expected future business and financial performance, and often contain words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes,' 'seeks,' or 'will.' Forward-looking statements by their nature address matters that are, to different degrees, uncertain. For us, uncertainties arise from the behaviour of financial markets, fluctuations in interest and or exchange rates; from future integration of acquired businesses; and from numerous other matters of national, regional and global scale, including those of a environmental, climatic, natural, political, economic, business, competitive or regulatory nature. These uncertainties may cause our actual future results to be materially different that those expressed in our forward-looking statements. We do not undertake to update our forward-looking statements. We caution you that reliance on any forward-looking statement involves risk and uncertainties, and that, although we believe that the assumption on which our forward-looking statements are based are reasonable, any of those assumptions could prove to be inaccurate and, as a result, the forward-looking statement based on those assumptions could be materially incorrect.

This presentation is not intended, and does not, constitute or form part of any offer, invitation or the solicitation of an offer to purchase, otherwise acquire, subscribe for, sell or otherwise dispose of, any securities in Alexander Forbes Group Holdings and any of its subsidiaries or undertakings or any other invitation or inducement to engage in investment activities, nor shall this presentation (or any part of it) nor the fact of its distribution form the basis of, or be relied on in connection with, any contract or investment decision.

# ANNEXURE I

Operating environment - detail

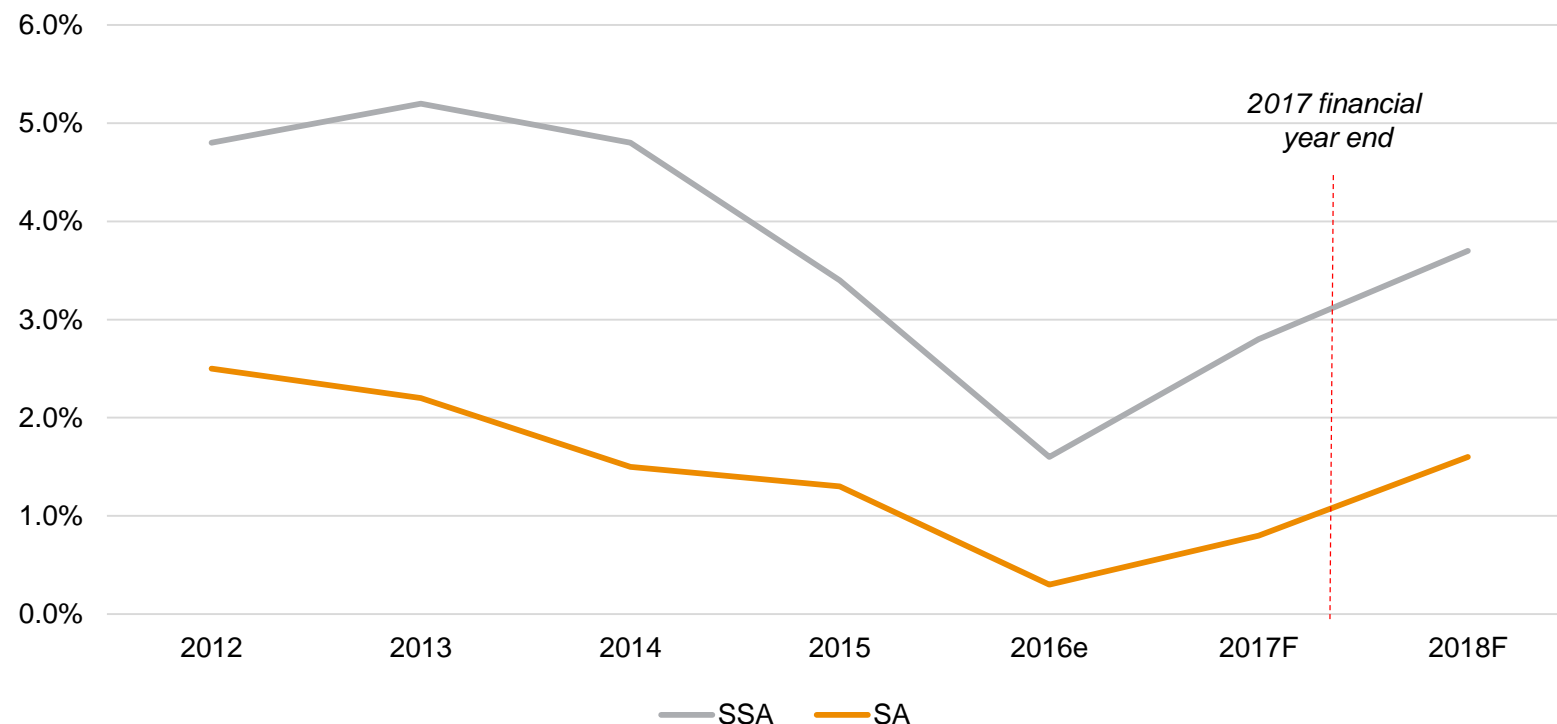
The group is highly dependent on the macro economic drivers, particularly in the Institutional Clients segment of the group

MEASURE		STATISTIC	
SA Inflation	CPI % change y/y	<b>+ 6.1%</b>	March 2017 (CPI headline year-on-year rate)
SA Economic expansion	GDP % change y/y	<b>+ 0.3%</b>	2016 (annual GDP growth rate, constant 2010 prices)
SA Earnings	Gross earnings	<b>+ 6.6%</b>	(607.245 million Dec '16 , 569.466 million Dec '15)
SA Labour market	Formal private sector employment	<b>+ 0.9%</b>	(9.690 million Dec '16, 9.600 million Dec '15)
SA Equity Markets	JSE All Share Index (total return incl. dividends)	<b>+ 2.5%</b>	31 Mar '16 to 31 Mar '17
	JSE Shareholder Weighted Index (SWIX) (total return incl. dividends)	<b>+ 1.6%</b>	31 Mar '16 to 31 Mar '17
SA Bonds	BESA All Bond Index (ALBI)	<b>+ 11.0%</b>	31 Mar '16 to 31 Mar '17
SA Cash	Short Term Fixed Interest Composite Index (STeFI)	<b>+ 7.0%</b>	31 Mar '16 to 31 Mar '17
Global Equity	MSCI AC World (ZAR)	<b>12.9%</b>	31 Mar '16 to 31 Mar '17
Exchange rate	GBP / ZAR	<b>-25.7%</b>	21.16 Mar '16 to 16.83 Mar '17

Source: Investment Solutions, Rand Merchant Bank, Stats SA

- Declining trend in South African GDP growth continues and is expected to remain muted for at least the next year, following which there may be a recovery...

## GDP Growth (2012 – 2018F)



Source: IMF World Economic Outlook Update (January 16, 2017)  
Note: annual GDP growth rate for South Africa as reported by StatsSA for 2016)

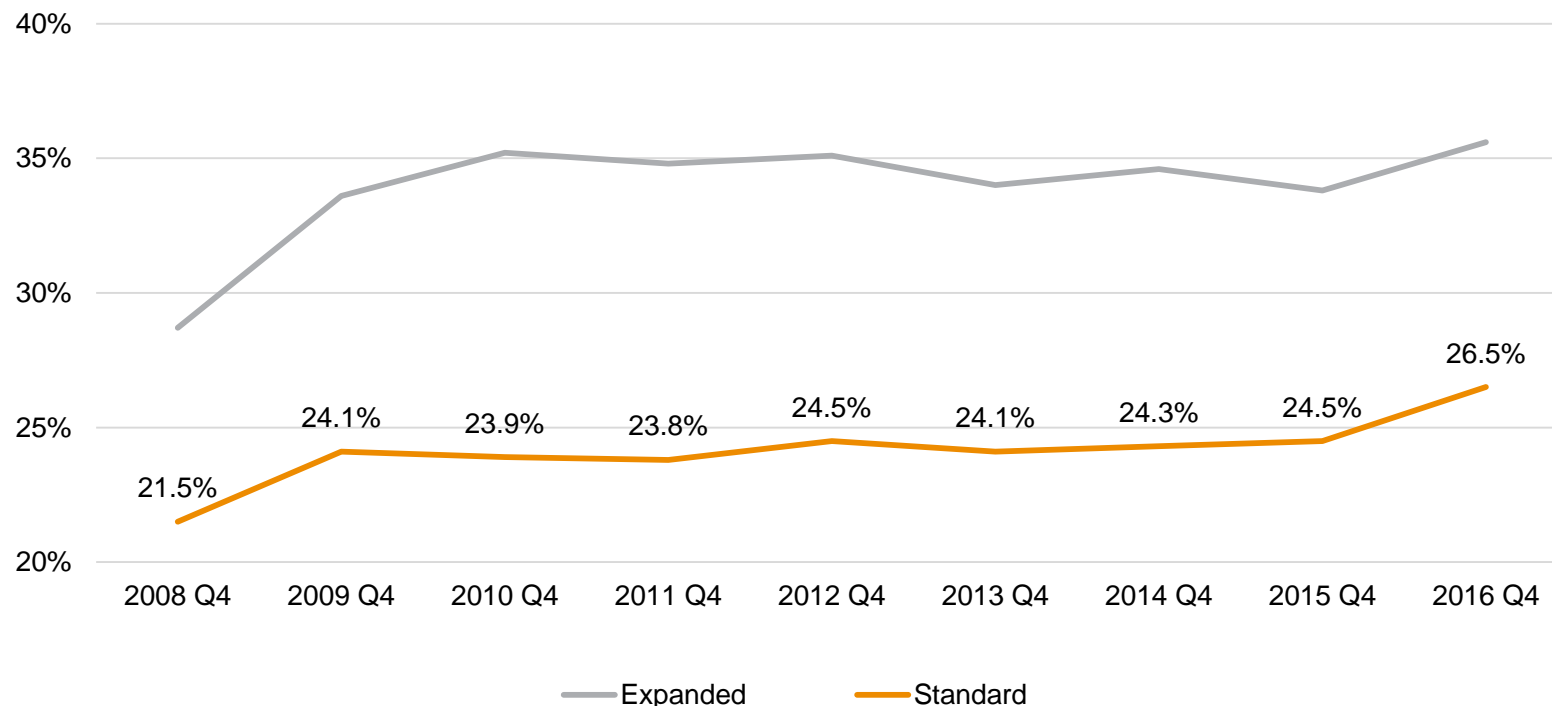
The recessionary conditions have an impact on formal employment growth (or shrinkage) as well as market volatility.

This has direct business impacts on **asset values, asset flows** and **underwriting results**.

# OPERATING ENVIRONMENT | Unemployment

- A key indicator for our success – the unemployment rate – has been worsening since 2008. Recessionary economic conditions suggest that this will continue to deteriorate...

## Unemployment Rate (2008 – 2016 Q4)



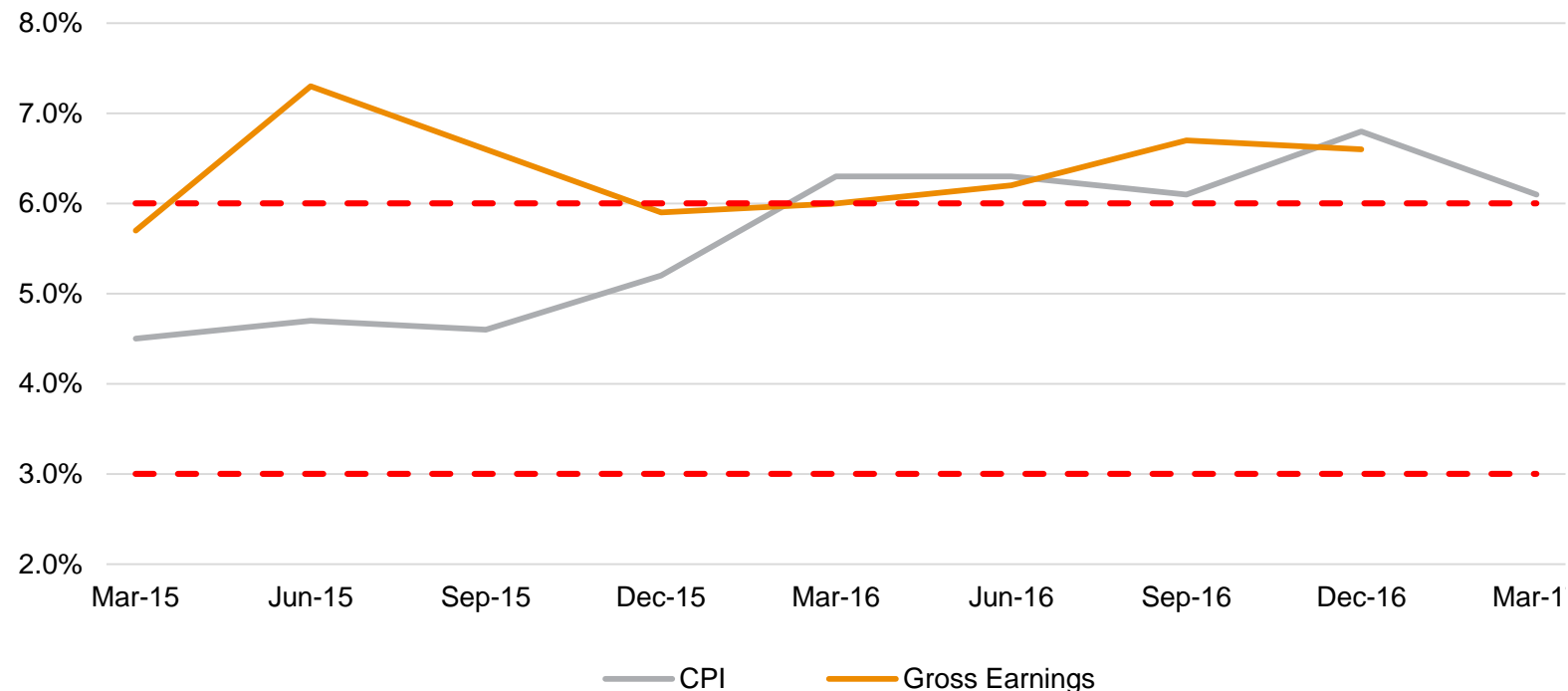
Source: StatsSA P0211 – Quarterly Labour Force Survey (Quarter 4: 2016)

The deterioration in unemployment rates is felt in the low growth in **members under administration** as well as **consistent net outflows** from retirement funds.

# OPERATING ENVIRONMENT | CPI and gross earnings

- The steady rise in the inflation rate throughout the past year has triggered multiple interest rate hikes. Our customers continue to be under pressure, which is likely to continue for the foreseeable future...

### CPI and Gross Earnings (Year-on-Year change since Mar-2015)



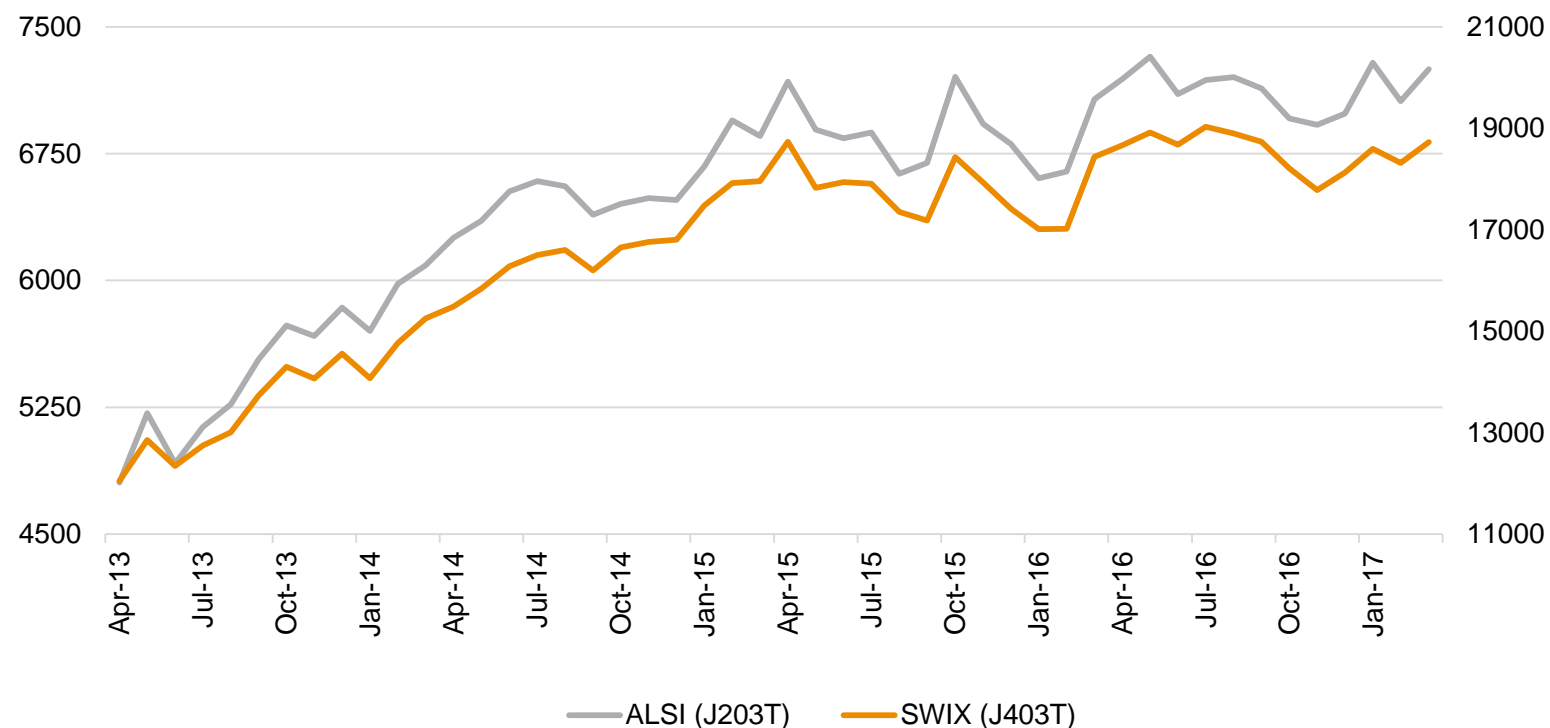
High inflation rates and low increases in gross earnings, coupled with the low growth economic environment, results in **tough trading conditions for compulsory and discretionary savings products.**

Source: StatsSA P0141 – Consumer Price Index (CPI) (March 2017), StatsSA P0277 Quarterly Employment Statistics0

# OPERATING ENVIRONMENT | Equity markets

- The equity markets have been extremely volatile over the year and the return on the JSE All Share Index (total return incl. dividends) has been **2.5%** (12 months to March 2017)

## Market Return (Apr-13 to Mar-17)



Source: JSE historic index values

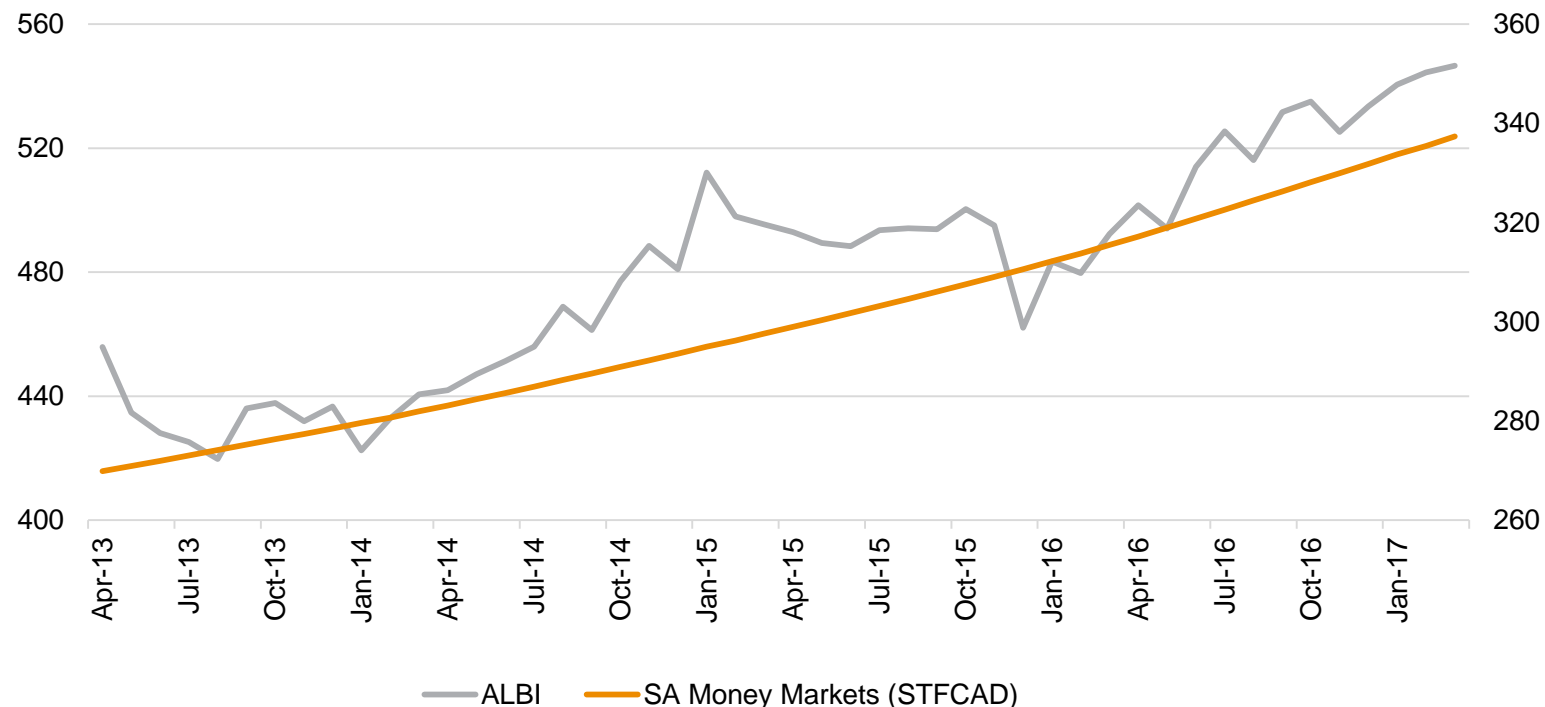
The volatility in the equity market has **fuelled the switch to lower margin products.**

We offer a full suite of investment products and are therefore well placed when the cycle flips.



- SA bonds managed to perform much better in 2016, despite the volatile local and global macroeconomic and political backdrop. Cash returns appear to be increasing consistently.

## Bond and Money Market Indices (Apr-13 to Mar-17)



Bond returns have recovered over 2016 and continue to outperform cash.

Money market returns for March 2017 are **7% y/y** which exceeds inflation.

Source: Investment Solutions

## ANNEXURE II

Long-term trend analysis – Key Performance Indicators

# LONG TERM TREND ANALYSIS | KPIs – INSTITUTIONAL CLIENTS

11

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
Operating income (Rm)*	1 823	1 955	1 909	<b>1 920</b>	1.7%
<b>Institutional clients</b>					
Number of Umbrella corporate clients	1 031	1 141	1 320	<b>1 389</b>	10.4%
Umbrella Fund Assets under Management (Rbn)	57.2	60.1	65.3	<b>68.4</b>	6.1%
Number of standalone retirement funds	331	328	316	<b>311</b>	(2.1%)
Standalone retirement funds AuA (Rbn)	275	315	347	<b>352</b>	8.6%
Number of active member records ('000)	997	1 018	1 029	<b>986</b>	-
Number of healthcare corporate clients	513	523	541	<b>549</b>	2.3%
Group Risk GWP (Rm)	417	320	397	<b>439</b>	1.7%

\* Numbers presented for prior year reporting years have been restated for discontinued operations and reallocations of product lines made between clusters in the current year to ensure comparability

# LONG TERM TREND ANALYSIS | KPIs - INSTITUTIONAL CLIENTS (Continued)

12

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
<b>Investments</b>					
AF Investments Assets under Administration and Management (Rbn)*	240	273	282	<b>285</b>	5.9%
Blended net margin (bps)	27.5	26.5	23.2	<b>22.2</b>	(6.9%)
Number of clients	2 108	2 147	2 168	<b>2 114</b>	-
Net client cash flows (Rbn)	11.9	5.7	(4.6)	<b>(7.3)</b>	(185.0%)

\* AuM has been adjusted for reallocations of product lines between clusters in prior years for comparability

# LONG TERM TREND ANALYSIS | KPIs - INSTITUTIONAL CLIENTS (Continued)

13

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
<b>Public sector</b>					
Revenue	184	207	217	199	2.6%
Public sector tender participation (%)	74	90	92	91	7.3%
Public sector new clients	42	38	31	27	(13.7%)
<b>Business insurance</b>					
Number of policies	1 072	1 322	1 664	1 886	20.7%
Gross written premium	26	43	67	87	49.6%
Claims ratio (%)	75	68	62	79	1.7%
Risk retention (%)	10	10	10	10	-

# LONG TERM TREND ANALYSIS | KPIs - RETAIL CLIENTS

14

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
Operating income (Rm)*	929	1 089	1 216	1 274	11.1%
<b>Retail clients</b>					
Number of FPC clients ('000)	41.0	42.8	46.3	49.2	6.3%
Assets under advice FPC (Rbn)	48.5	56.9	62.2	64.7	10.1%
Assets under administration AFICA (Rbn)*	47.2	53.9	58.1	59.8	8.2%
GWP long term (Rm)	17	19	22	27	17.1%
<b>AF Investments</b>					
Assets under Management* (Rbn)	45	47	51	53	5.6%

\* Numbers presented for prior year reporting years have been restated for reallocations of product lines between clusters made in the current year to ensure comparability

# LONG TERM TREND ANALYSIS | KPIs - RETAIL CLIENTS (Continued)

15

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
<b>AF Insurance</b>					
<b><i>Motor &amp; household</i></b>					
Gross written premium (Rm)	1 165	1 264	1 399	<b>1 513</b>	9.1%
Active policies	75 197	76 812	79 395	<b>79 496</b>	1.9%
Claims ratio (%)	81	71	76	<b>71</b>	(4.3%)
Risk retention (%)	25	25	25	<b>25</b>	-
<b><i>Accident &amp; health</i></b>					
Gross written premium (Rm)	33	33	36	<b>34</b>	1.0%
Claims ratio (%)	30	19	16	<b>17</b>	(17.2%)
Risk retention (%)	100	100	100	<b>100</b>	-

# LONG TERM TREND ANALYSIS | KPIs - EMERGING MARKETS

16

	Revenue Rm (comparative 31 March 2016)	Trading profit *	Headcount	Ownership
Namibia	<b>149</b> (144)	<b>45</b> (25)	<b>151</b> (161)	<b>75%</b> (75%)
Botswana	<b>79</b> (111)	<b>15</b> (46)	<b>85</b> (114)	<b>67%</b> (67%)
Nigeria	<b>7</b> (3)	<b>(2)</b> (-)	<b>12</b> (12)	<b>100%</b> (100%)
Uganda	<b>5</b> (4)	<b>(2)</b> (-3)	10 (11)	<b>51%</b> (51%)

	Mar-14	Mar-15	Mar-16	Mar-17	CAGR
Number of members under administration	254 517	247 637	254 899	<b>109 575</b>	(24.5%)
Number of policies AFI Namibia	9 149	11 594	15 602	<b>17 189</b>	23.4%
AF Investments Namibia AuM (Rbn)	2.6	3.3	3.5	<b>3.6</b>	11.5%

\* Before corporate cost allocations



**ANNEXURE III**  
Financial Performance

# FINANCIAL PERFORMANCE | IFRS income statement

18

Rm	IFRS Mar 2017	Variance	IFRS Mar 2016
<b>Operating income net of direct expenses</b>	<b>3 435</b>	1.2%	3 395
Operating expenses	(2 502)	-	(2 490)
<b>Operating profit before non-trading and capital items</b>	<b>933</b>	3.1%	905
Non-trading and capital items	(137)	(2.1%)	(140)
<b>Operating profit</b>	<b>796</b>	4.1%	765
Net investment income	89		94
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares	(2)		59
Share of profits of associates	4		4
<b>Profit before taxation</b>	<b>887</b>	(3.8%)	922
Taxation – corporate	(244)	5.6%	(231)
<i>Policyholder taxation</i>	(22)		(70)
<b>Profit from continuing operations</b>	<b>621</b>	-	621
Profit from discontinued operations	953		253
<b>Profit for the period</b>	<b>1 574</b>	80.1%	874
Attributable to :			
Equity holders	1 465	101.0%	729
Non-controlling interest	109		145
<b>Attributable profit for the period</b>	<b>1 574</b>	80.1%	874

The group's normalised results are presented to reflect the basis upon which management manages the group and reflects the economic substance of the group's performance. The adjustments between the IFRS summary consolidated income statement and the normalised results are as follows:

### ***Accounting for property lease***

The accounting treatment for long-term leases, particularly at the Sandton head office, continues to have a small positive impact on the group's growth rate. The impact is isolated and removed from normalised results to afford a better comparison and to reflect the true premises cost over the long-term.

### ***Capitalisation of intangible assets and the related amortisation***

Non-trading and capital items include the ongoing accounting amortisation of the intangible assets amounting to R117 million for the year ended 31 March 2017 and R124 million in the previous financial year. The capitalisation of intangible assets and the related amortisation resulted from the required accounting treatment at the time of the private equity acquisition of the group under common control in 2007. As the holding company that was established at the time remains in existence (and is now the listed entity), the amortisation will continue over the expected useful lives established at the time of the transaction. The accounting for amortisation has no impact on the cash flows of the group.

### ***Accounting for Alexander Forbes shares held in policyholder investment portfolios***

As discussed above this accounting treatment has the effect that fair value movements in respect of linked investment policy assets and liabilities that would normally be offset (and economically should be offset) are not being matched in the income statement. The resultant mismatch between the asset and liability movement, does not reflect the economic substance of the transactions.

### ***Investment income and taxation payable on behalf of policyholders***

The group's tax rate compared to profits before tax appears high as a result of taxation payable on behalf of policyholders being included in this amount (refer to the investment income discussion as well as note 8 of the Results Announcement). The normalised results exclude the policyholder tax expense and the related investment income which directly offset this tax expense.

# FINANCIAL PERFORMANCE | Normalised income statement

20

Rm	Normal. Mar 2017	Variance	Normal. Mar 2016
<b>Operating income net of direct expenses</b>	<b>3 435</b>	1.2%	3 395
Operating expenses	(2 476)	(0.7%)	(2 460)
<b>Operating profit before non-trading and capital items</b>	<b>959</b>	2.6%	935
Non-trading and capital items	(50)		(7)
<b>Operating profit</b>	<b>909</b>	(2.0%)	928
Net investment income	67		24
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares	-		-
Share of profits of associates	4		4
<b>Profit before taxation</b>	<b>980</b>	2.5%	956
Income tax expense	(276)		(276)
<b>Profit from continuing operations</b>	<b>704</b>	3.5%	680
Profit from discontinued operations	171		270
<b>Attributable profit for the period</b>	<b>875</b>	(7.9%)	950

# FINANCIAL PERFORMANCE | Addressing the prior year restatement

21

Rm	As reported Normalised Mar 2016	Restated for discontinued operations	Restated Normal Mar 2016
<b>Operating income net of direct expenses</b>	<b>5 376</b>	(1 981)	3 395
Operating expenses	(4 136)	1 676	(2 460)
<b>Operating profit before non-trading and capital items</b>	<b>1 240</b>	(305)	935
Non-trading and capital items	(4)	(3)	(7)
<b>Operating profit</b>	<b>1 236</b>	(308)	928
Net investment income	26	(2)	24
Policyholder investment income	-		-
Reported (loss)/profit arising from accounting for policyholder investments as treasury shares	-		-
Share of profits of associates	4		4
<b>Profit before taxation</b>	<b>1 266</b>	(310)	956
Taxation – corporate	(316)	40	(276)
<b>Profit from continuing operations</b>	<b>950</b>	(270)	680
Profit from discontinued operations	-	270	270
<b>Profit for the period</b>	<b>950</b>	-	950

# FINANCIAL PERFORMANCE | Comparison of IFRS and normalised income statement

22

Rm	IFRS Mar 2017	Adj.	Normal Mar 2017
<b>Operating income net of direct expenses</b>	<b>3 435</b>	-	3 435
Operating expenses	(2 502)	26	(2 476)
<b>Operating profit before non-trading and capital items</b>	<b>933</b>	26	959
Non-trading and capital items	(137)	87	(50)
<b>Operating profit</b>	<b>796</b>	113	909
Net investment income	89	(22)	67
Reported profit arising from accounting for policyholder investments as treasury shares	(2)	2	-
Share of profits of associates	4	-	4
<b>Profit before taxation</b>	<b>887</b>	93	980
Taxation – corporate	(244)	(32)	(276)
<i>Policyholder taxation</i>	(22)	22	-
<b>Profit from continuing operations</b>	<b>621</b>	83	704
Profit from discontinued operations	953	(782)	171
<b>Profit for the period</b>	<b>1 574</b>	(699)	875

# FINANCIAL PERFORMANCE | Earnings per share

Rm	Mar 2017	Variance	Mar 2016
<b>Weighted average number of shares in issue (m)</b>	1 280	-	1 282
<b>Headline earnings per share (cents)</b>	53.4	(8%)	58.1
<b>Basic earnings per share (cents)</b>	114.5	101%	56.9
<b>Normalised headline earnings per share (cents) from continued operations *</b>	59.7	(4%)	62.2

\* Calculated on normalised number of shares of 1 299 for the current year and prior year (which adjusts for shares held by policyholders that are treated as treasury shares)

The diluted earnings per share are not materially different from the earnings per share

Note: decrease in normalised earnings per share includes the effect of the 8 months of LCP earnings as opposed to the prior 12 months reported

# FINANCIAL PERFORMANCE | Group segmental performance

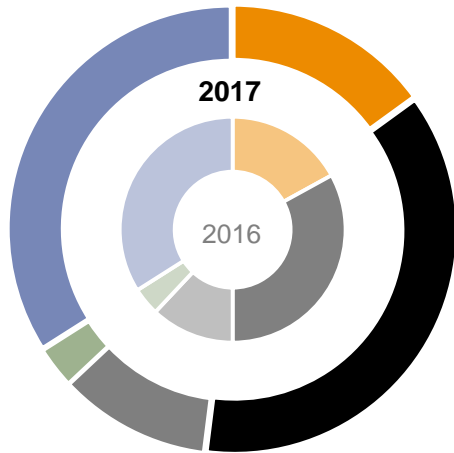
24

Rm	Operating income (Rm)			Operating profit (Rm)		
	Mar 2017	%	Mar 2016	Mar 2017	%	Mar 2016
<b>Institutional clients</b>	<b>1 920</b>	<b>0.6%</b>	<b>1 909</b>	<b>465</b>	<b>0.6%</b>	<b>462</b>
- Consulting	802	(2.0%)	818	74	(8.6%)	81
- Retirements	421	12.3%	375	100	26.6%	79
- Investments	640	-	641	276	-	277
- Group Risk	57	(24.0%)	75	15	(40.0%)	25
<b>Retail clients</b>	<b>1 274</b>	<b>4.8%</b>	<b>1 216</b>	<b>466</b>	<b>10.5%</b>	<b>421</b>
- Wealth and investments	797	5.1%	758	378	14.9%	329
- Retail insurance (short and long term)	477	4.1%	458	88	(4.3%)	92
<b>Emerging markets</b>	<b>241</b>	<b>(10.7%)</b>	<b>270</b>	<b>32</b>	<b>(50.8%)</b>	<b>65</b>
<b>Total group before items below</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>963</b>	<b>1.6%</b>	<b>948</b>
Accounting for property leases	-	-	-	(26)	(13.3%)	(30)
Accounting for share scheme costs	-	-	-	(4)	(69.2%)	(13)
<b>Total group</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>933</b>	<b>3.1%</b>	<b>905</b>



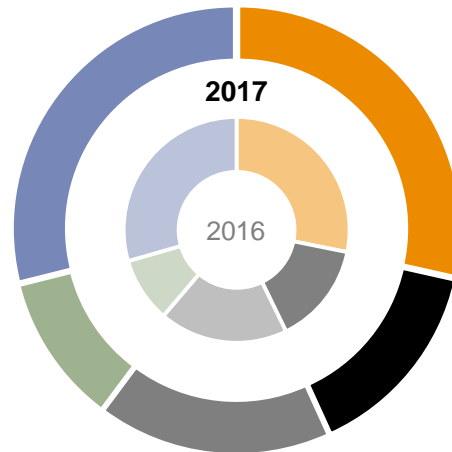
- A large portion of group revenue is either directly asset-based or referenced to assets under management or administration and in these areas subdued equity markets and bond markets have a significant impact on apparent margin
- Operating income by type as at 31 March 2017 (SA Institutional and Retail):

## Institutional revenue by type



	FY2017	FY2016
● Consulting and advise fees	16%	17%
● Administration fees	36%	33%
● Commission	11%	12%
● Insurance based	3%	4%
● Asset based revenue	34%	34%

## Retail revenue by type



	FY2017	FY2016
● Consulting and advise fees	28%	28%
● Administration fees	15%	15%
● Commission	17%	17%
● Insurance based	11%	11%
● Asset based revenue	29%	29%

~31% of our revenue is asset based and exposed to market dynamics.

This component of revenue fluctuates not only with markets but trends related to asset classes, product mix shifts and default choices.

# FINANCIAL PERFORMANCE | Balance sheet (excluding policyholder and insurance-related balances)

26

Rm	Mar 2017	Mar 2016
Assets including developed software	365	469
Intangible assets (largely arising from PE transaction)	3 817	4 729
Financial assets and associates	241	205
Deferred tax	148	159
Trade and other receivables	451	959
Cash and cash equivalents	4 215	2 001
Assets classified as held for sale	66	177
<b>Total Assets</b>	<b>9 303</b>	<b>8 699</b>
Borrowings	(725)	(622)
Long-term liabilities	(848)	(1 058)
Current liabilities and liabilities held for sale	(505)	(1 004)
<b>Equity</b>	<b>7 225</b>	<b>6 015</b>
<b>Annualised Return on average Equity (normalised)</b>	<b>12.1</b>	<b>13.6</b>
<b>Annualised Return on average Capital Employed (normalised)</b>	<b>15.7</b>	<b>17.6</b>
<b>Annualised Normalised Return on Tangible Net Asset Value</b>	<b>35.3</b>	<b>57.9</b>
<b>Dividend yield (2017: 17c interim plus 23c final / 6.45 share price); (2016: 15c interim plus 22c final dividend / 6.70 share price)</b>	<b>6.2%</b>	<b>5.5%</b>

Detailed adjustments for policyholder and insurance-related balances are reflected in Annexure III

# FINANCIAL PERFORMANCE | Regulatory capital

27

Rm	SAM Standard Formulae (Mar-17)			SAM Standard Formulae (Mar-16)			% Change in Regulatory Surplus
	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	Own Funds	Solvency Capital Requirement (SCR)	Regulatory Surplus	
Group Corporate (incl. revolving credit)	1 392	84	<b>1 308</b>	(492)	17	<b>(510)</b>	<b>(356%)</b>
SA Financial Services	827	435	<b>372</b>	812	445	<b>368</b>	<b>1%</b>
AF Investments	670	370	<b>300</b>	477	357	<b>120</b>	<b>150%</b>
AF Insurance	286	125	<b>161</b>	214	118	<b>96</b>	<b>69%</b>
Emerging Markets	80	37	<b>43</b>	178	62	<b>116</b>	<b>(63%)</b>
International (Rm)	159	10	<b>149</b>	256	30	<b>226</b>	<b>(34%)</b>
<b>Total Group</b>	<b>3 414</b>	<b>1 061</b>	<b>2 353</b>	<b>1 445</b>	<b>1 029</b>	<b>416</b>	<b>461%</b>
Declared dividend	(604)		<b>(604)</b>	(295)		<b>(295)</b>	
Total Group (net of dividend)	<b>2 810</b>		<b>1 749</b>	<b>1 150</b>	<b>1 029</b>	<b>121</b>	

The group remains highly cash generative and as a result the regulatory surplus as at 31 March 2017 provides sufficient headroom for the payment of an ordinary cash dividend of 23 cents per share and a special cash dividend of 23 cents per share.

## ANNEXURE IV

Additional Financial Information

# INCOME STATEMENT | Operating profit

29

Rm	Mar 2017	%	Mar 2016
Fee and commission income	3 933	1.5%	3 875
Direct expenses attributable to fee and commission income	(1 062)		(1 020)
Net income from insurance operations	564		540
<b>Operating income net of direct expenses</b>	<b>3 435</b>	1.2%	3 395
Operating expenses	(2 502)	-	(2 490)
<b>Profit from continuing operations before non trading and capital items</b>	<b>933</b>	3.1%	905
<i>Trading margin</i>	<b>27.2%</b>		26.7%

# INCOME STATEMENT | Items to consider when analysing results

30

Rm	Mar 2017	%	Mar 2016
<b>Reported profit from continuing operations</b>	<b>621</b>	-	621
<b>Once off items and items distorting comparability</b>			
Results of cell-captive insurance entity	(30)		9
<b>Accounting adjustments</b>			
Accounting for long-term lease contracts – under IFRS	26		30
Amortisation of intangible assets arising from business combination in terms of IFRS	117		124
Tax payable on policyholder investment returns recorded in interest income under IFRS	(22)		(70)
Reported profit arising from accounting for policyholder investments as treasury shares under IFRS	2		(59)
<b>Resulting tax adjustments</b>			
Policyholder tax treatment	22		70
Tax effect of the above adjustments	(32)		(45)
<b>Normalised profit from continuing operations</b>	<b>704</b>	3.5%	680

# INCOME STATEMENT | Normalised (showing adjustments)

31

Rm	IFRS Mar 2017	Adj.	Normal Mar 2017
<b>Operating income net of direct expenses</b>	<b>3 435</b>	-	3 435
Operating expenses	<b>(2 502)</b>	26	(2 476)
<b>Operating profit before non-trading and capital items</b>	<b>933</b>	26	959
Non-trading and capital items	<b>(137)</b>	87	(50)
<b>Operating profit</b>	<b>796</b>	113	909
Net investment income	<b>89</b>	(22)	67
Reported profit arising from accounting for policyholder investments as treasury shares	<b>(2)</b>	2	-
Share of profits of associates	<b>4</b>	-	4
<b>Profit before taxation</b>	<b>887</b>	93	980
Taxation – corporate	<b>(244)</b>	(32)	(276)
<i>Policyholder taxation</i>	<b>(22)</b>	22	-
<b>Profit from continuing operations</b>	<b>621</b>	83	704
Profit from discontinued operations	<b>953</b>	(782)	171
<b>Profit for the period</b>	<b>1 574</b>	(699)	875

# INCOME STATEMENT | Operating expenses

32

Rm	Mar 2017	%	Mar 2016
Employee costs	1 428	(3.8%)	1 484
Payroll costs	1 257	1.9%	1 234
Bonus and profit share	171	(31.6%)	250
Share scheme costs	16	(27.3%)	22
Premises (excluding IFRS adj.)	269	4.3%	258
IT costs	267	24.8%	214
Professional fees	103	8.4%	95
Insurance costs	68	(1.4%)	69
Sub total	2 151	0.4%	2 142
% of total costs	86%	-	86%
Other costs	351	-	348
Total operating expenses	2 502	-	2 490



# INCOME STATEMENT | Non-trading and capital items

33

Rm	Mar 2017	%	Mar 2016
<b>Profit from operations before non-trading items</b>	<b>933</b>	3.1%	905
Professional indemnity insurance cell-captive results	30		(9)
Amortisation of intangible assets arising from business combination	(117)		(124)
Costs relating to strategic consulting engagement	(39)		-
Other non-trading items	(11)		(7)
<b>Total non-trading and capital items</b>	<b>(137)</b>		(140)
<b>Operating profit</b>	<b>796</b>	4.1%	765

# HEADLINE EARNINGS

Rm	Mar 2017	%	Mar 2016
<b>Profit for the year</b>	<b>1 574</b>	80.1%	874
Attributable to:			
Non controlling interests	<b>(109)</b>		(145)
Profit for the year attributable to ordinary shareholders	<b>1 465</b>	101.0%	729
<b>Less headline adjusting items:</b>			
Add back capital gains included	<b>(782)</b>		15
<b>Headline earnings</b>	<b>683</b>	(8.2%)	744

# EARNINGS PER SHARE

	Mar 2017	%	Mar 2016
Weighted average number of shares in issue (m)	1 280	-	1 282
Headline earnings per share (cents)	53.4	(8.1%)	58.1
Basic earnings per share (cents)	114.5	101.2%	56.9
Normalised headline earnings per share (cents)	59.7	4.0%	62.2
Actual shares in issue (not weighted average)	1 341 426 963		1 341 426 963
Policyholder shares in IS treated as treasury shares	(16 441 181)		(18 472 951)
Treasury shares due to consolidation of staff scheme	(42 423 433)		(42 423 433)
Shares in terms of IFRS	1 282 562 349		1 280 530 579

# CASH FLOW

Rm	Mar 2017	Mar 2016
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash generated from normal operations	1 091	1 059
Non-trading cash flows	-	(3)
Cash flow from operations per cash flow statement	1 091	1 056
Net finance costs (excluding policyholder income)	56	17
Taxation payments (excluding policyholder taxes and discontinued operations)*	(356)	(397)
Dividends paid	(509)	(352)
Cash flows from discontinued operations	250	220
Cash flows from operations excluding policyholder cash flows	532	544
Movement in insurance and policyholder working capital balances	(272)	441
Taxation payments – policyholder tax*	(22)	(70)
Cash flows from policyholder investment and insurance contracts	(1 007)	5 688
<b>Cash flows from operating activities</b>	<b>(769)</b>	<b>6 603</b>
<b>Cash flows from investing activities</b>	<b>776</b>	<b>(233)</b>
<b>Cash flows from financing activities</b>	<b>531</b>	<b>(400)</b>
<b>Net cash flows</b>	<b>538</b>	<b>5 970</b>

\* Taxation payments are combined on the group statement of cash flows

# BALANCE SHEET | Excluding policyholder balances

37

Rm	Mar 2017 (Actual)	Adj. linked investment policyholders.	Adj. insurance related balances.	Mar 2017 (Corporate)
Assets under management	281 818	(281 818)		-
Property, equipment and computer software	365			365
Goodwill & intangible assets	3 817			3 817
Financial assets and associates	370	(129)		241
Deferred tax asset	148			148
Insurance receivables	1 137		(1 137)	-
Trade and other receivables	451			451
Cash & cash equivalents	6 263	(59)	(1 989)	4 215
Assets classified as held for sale	66			66
<b>Total assets</b>	<b>294 435</b>	<b>(282 006)</b>	<b>(3 126)</b>	<b>9 303</b>
Liabilities under management	(281 924)	281 924		-
Borrowings	(725)			(725)
Employee benefits	(160)			(160)
Deferred tax liabilities	(199)	64		(135)
Finance & operating lease liabilities	(257)			(257)
Provisions and deferred income	(296)			(296)
Insurance payables	(2 960)		2 960	-
Trade and other payables	(784)	124	166	(494)
Liabilities associated with assets held for sale	(11)			(11)
<b>Total liabilities</b>	<b>(287 316)</b>	<b>282 112</b>	<b>3 126</b>	<b>(2 078)</b>
<b>Total equity</b>	<b>7 119</b>	<b>106</b>	<b>-</b>	<b>7 225</b>

# RETURN ON EQUITY

Rm	12 months to Mar 2017 Normalised	12 months to Mar 2016 Normalised
Average equity (excluding policyholder treasury shares)*	6 386	5 904
Average tangible net asset value (excluding intangible assets and the related deferred tax)	2 185	1 391
Profit for the period from operations	875	950
- Less attributable to non controlling interest	(105)	(145)
Profit from continuing operations attributable to ordinary shareholders	770	805
LTM return on equity	12.1%	13.6%
LTM return on tangible net asset value	35.2%	57.9%

\* The average equity is before deduction of treasury shares as these are held for the benefit of policyholders and other third parties who will benefit from the returns

# EBITDA

39

Rm	Actual Mar 2017	Normalised Mar 2017	%	Normalised Mar 2016
Profit before tax	887	980	2.5%	956
Add back depreciation and amortisation	218*	101		87
Add interest cost of long-term borrowing	66	66		57
<b>EBITDA (incl. interest received on capital)</b>	<b>1 171</b>	<b>1 147</b>	4.3%	1 100

\* Actual depreciation and amortisation includes the amortisation of intangible assets arising from business combinations

## SEGMENTAL | Statutory entity segmental view

40

Rm	Operating income (Rm)			Operating profit (Rm)		
	Mar 2017	%	Mar 2016	Mar 2017	%	Mar 2016
SA Financial Services	1 966	2.7%	1 915	459	9.3%	420
Investment Solutions	760	0.1%	759	346	(0.6%)	348
AF Insurance	468	3.8%	451	126	9.6%	115
Emerging Markets	241	(10.7%)	270	32	(50.8%)	65
<b>Total Africa</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>963</b>	<b>1.6%</b>	<b>948</b>
<b>Total Continuing operations</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>963</b>	<b>1.6%</b>	<b>948</b>
- IFRS Lease adjustment	-	-	-	(26)	(13.3%)	(30)
- Share scheme cost	-	-	-	(4)	(69.2%)	(13)
<b>Total Group</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>933</b>	<b>3.1%</b>	<b>905</b>

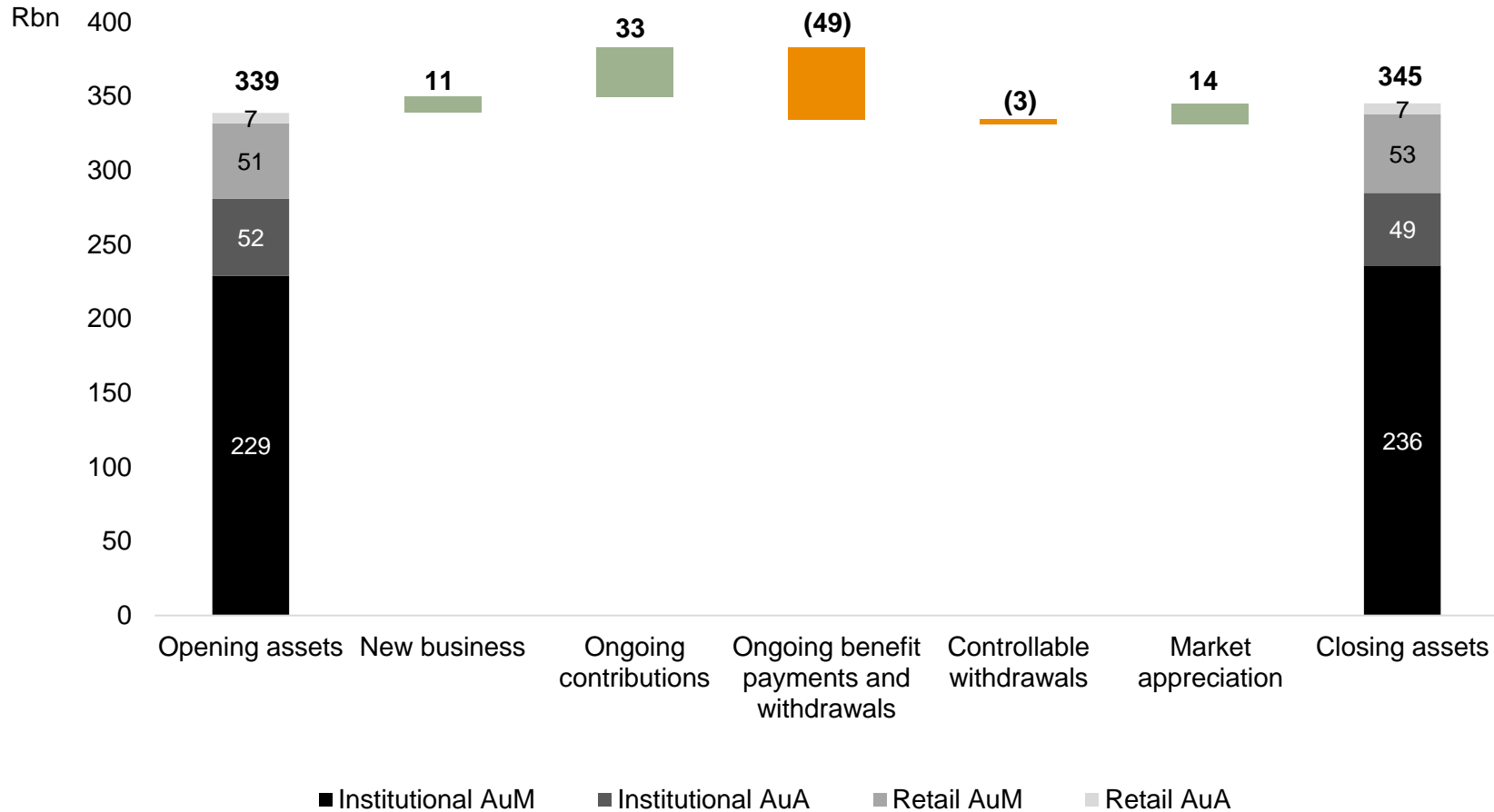


# SEGMENTAL | Previous segmental view

41

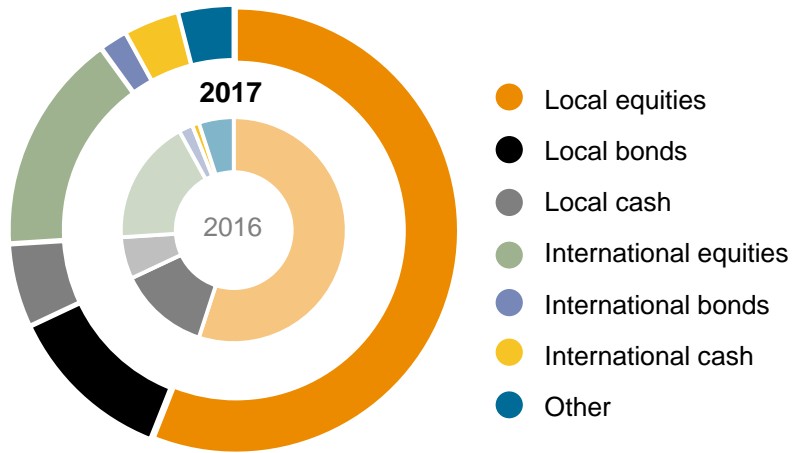
Rm	Operating income (Rm)			Operating profit (Rm)		
	Mar 2017	%	Mar 2016	Mar 2017	%	Mar 2016
<b>Institutional</b>	<b>1 946</b>	<b>0.9%</b>	<b>1 929</b>	<b>471</b>	<b>0.9%</b>	<b>467</b>
- SA Financial Services	1 280	0.9%	1 268	189	2.7%	184
- Investment Solutions	640	-	641	276	-	277
- AF Insurance	26	30.0%	20	6	-	6
<b>Retail</b>	<b>1 248</b>	<b>4.3%</b>	<b>1 196</b>	<b>460</b>	<b>10.6%</b>	<b>416</b>
- SA Financial Services	652	6.0%	615	259	12.6%	230
- Investment Solutions	154	2.7%	150	79	8.2%	73
- AF Insurance	442	2.6%	431	122	8.0%	113
<b>Emerging Markets</b>	<b>241</b>	<b>(10.7%)</b>	<b>270</b>	<b>32</b>	<b>(50.8%)</b>	<b>65</b>
<b>Total Group before items below</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>963</b>	<b>1.6%</b>	<b>948</b>
Accounting for property leases	-	-	-	(26)	(13.3%)	(30)
Accounting for share scheme costs	-	-	-	(4)	(69.2%)	(13)
<b>Total Group</b>	<b>3 435</b>	<b>1.2%</b>	<b>3 395</b>	<b>933</b>	<b>3.1%</b>	<b>905</b>

## Institutional and Retail

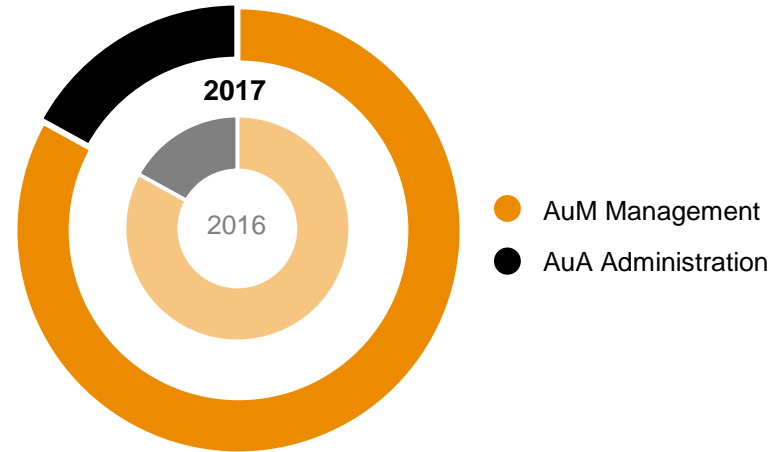


- Good new business inflows of R11 billion across Institutional and Retail clients
- Uncontrollable net cash flows (ongoing contribution less ongoing benefit payments and withdrawals) amount to R15 billion
- Market appreciation of 4.03% with significant volatility

## Asset composition

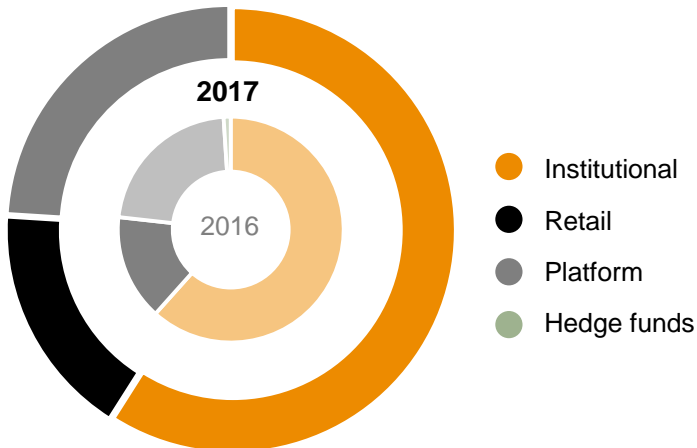


	FY2017	FY2016
Local equities	56%	55%
Local bonds	12%	13%
Local cash	6%	6%
International equities	16%	18%
International bonds	2%	2%
International cash	4%	1%
Other	4%	5%



	FY2017	FY2016
AuM Management	83%	83%
AuA Administration	17%	17%

## Asset type



	FY2017	FY2016
Institutional	59%	61%
Retail	17%	15%
Platform	24%	22%
Hedge funds	0%	1%

# ANNEXURE V

Non-financial highlights



**Diamond Award  
Best Consulting  
and Actuarial**

10 years in a row



**Diamond Award  
Pension Fund  
Administrator**

10 years in a row



**Employee Benefits  
Consultant of the  
Year**

2016



**Actuarial Firm of  
the Year**

2016



**Excellence in  
healthcare  
advisory services**

2 years in a row



**Long-term  
Insurance  
Category  
4<sup>th</sup>**

2016



**Short-term  
Insurance  
Category  
5<sup>th</sup>**

2016



**Top 3 shortlist for  
Best Continuity &  
Resilience team**

2016



**Pension  
Administrator of  
the Year**

2016



**Best Occupational  
Fund (AFRF)**

2016



**Best Individual  
Pension Plan  
(Vuna)**

2016



**Africa Best  
Employer Award**

2016

## ALEXANDER FORBES WEBSITE AND MOBILE APP

- During the financial year the new look Alexander Forbes website was launched as well as a mobile app for both Apple and Android devices that allows fund members to check their balances on their mobile devices.
- The launch of the mobile app represents the first phase in a multi-phase project aimed at improving the client experience and educating clients on their financial well-being.

## PEOPLE

- New leadership brings new skills and thinking to the group and offers exciting opportunities for change
- Recognised 1 397 colleagues' achievements through SuperSERVE awards
- Redefined the values of the group to refresh the company culture

## SOCIETY

- We maintained our Level 2 B-BBEE rating
- 'A' rating score for strategy and governance and 'A+' for listed equity achieved by Alexander Forbes Investments in the latest Principles for Responsible Investment assessment
- Over 5 000 disadvantaged people benefited from our community programmes